



## TENNESSEE REGISTRY OF ELECTION FINANCE

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### **Contribution Audit of Representative Dale Ford Second Quarter 2006**



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# STATE OF TENNESSEE



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August 1, 2007

Members of the Registry of Election Finance  
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Ladies and Gentlemen:

Transmitted herewith is the agreed upon procedures for the un-itemized contribution audit of Representative Dale Ford's Second Quarter Campaign Financial Disclosure Statement for his 2006 election campaign for the House of Representatives. This audit was conducted pursuant to the requirements of Section 2-10, *Tennessee Code Annotated*, the Comprehensive Governmental Ethics Reform Act of 2006.

The procedures were developed to aid the Registry of Election Finance in its responsibilities to monitor and enforce Tennessee's Campaign Financial Disclosure Law and Campaign Contribution Limits Law. The candidate is responsible for complying with campaign finance laws and the accuracy of campaign financial disclosures. The sufficiency of these procedures is solely the responsibility of the Registry's internal audit group. Consequently, we make no representation regarding the sufficiency of the agreed upon procedures described in the report for any other purpose than aiding the Registry.

This report is intended for the information and use of the Members of the Tennessee Registry of Election Finance as outlined; and is not intended to be and should not be used by anyone other than the Registry without understanding the objectives, purposes, and underlying assumptions. This report, however, is a matter of public record.

Sincerely,

Jay Moeck, CPA, CFE  
Audit Manager

STATE OF TENNESSEE  
REGISTRY OF ELECTION FINANCE

**Audit Highlights**  
Representative Dale Ford  
2006 Second Quarter Contribution Audit

**AUDIT OBJECTIVES**

The objectives of the audit were to determine Representative Dale Ford's compliance with certain provisions of campaign finance disclosure laws and regulations, compliance with certain provisions of campaign contribution limits laws and regulations, accuracy and completeness of the un-itemized contribution disclosures on his 2006 Second Quarter Campaign Financial Disclosure Statement, and to recommend appropriate actions to correct any deficiencies.

**FINDINGS**

**1. Representative Ford's campaign records indicated that he overstated his campaign contributions by \$275.** Rep. Ford's bank deposits for the second quarter reporting period were \$8,725; however, he reported contributions of \$9,000. The \$275 difference is a violation of T.C.A. § 2-10-107(a)(2)(A)(i),

**2. Representative Ford did not properly maintain his campaign records to verify his compliance with campaign finance statutes.** Rep. Ford's contribution records only indicated deposits in total by cash and check without specifying the contributors' names or contribution amounts. Therefore, we could not determine if Rep. Ford complied with campaign finance statutes for all un-itemized contributions received during the second quarter.

**3. Representative Ford did not follow the Registry rules for bookkeeping.** Rep. Ford did not follow the Registry rules for bookkeeping procedures. Although not required by statute, the Registry has developed guidance for candidates for maintaining their records of campaign activities. Rep. Ford's adherence with the bookkeeping rules may have averted the other findings reported.

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## TABLE OF CONTENTS

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	<b><u>PAGE</u></b>
<b>INTRODUCTION</b>	
Audit Authority	1
Audit Purpose	1
Audit Scope	1
<b>CAMPAIGN OVERVIEW</b>	
Campaign Organization	2
Overview of Financial Activities	2
<b>CHARTS</b>	
2006 Second Quarter Contributions	3
2006 Election Campaign Contributions	3
<b>OBJECTIVES, METHODOLOGIES, CONCLUSIONS</b>	
Contributions and Receipts	4
Findings	
Finding 1- <b>Representative Ford’s campaign records indicated that he overstated his campaign contributions by \$275.</b>	5
Finding 2- <b>Representative Ford’s did not properly maintain his campaign records to verify his compliance with campaign finance statutes.</b>	5
Finding 3- <b>Representative Ford did not follow the Registry rules for bookkeeping procedures.</b>	6
Recommendation to Candidate	6
Recommendation to Registry	7
<b>RESOLUTIONS</b>	
Registry of Election Finance Actions	8

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## INTRODUCTION

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### **AUDIT AUTHORITY**

In February 2006 the Tennessee Legislators and Governor Phil Bredesen enacted the “Comprehensive Governmental Ethics Reform Act of 2006” which amended Tennessee’s campaign finance disclosure laws and duties of the Registry of Election Finance. The legislation established the audits of campaign disclosure reports. *Tennessee Code Annotated* (T.C.A.) §§ 2-10-206 and 2-10-212 authorize the Registry of Election Finance (Registry) to conduct audits of campaign finance disclosure statements filed with the Registry. The audit was initiated based on T.C.A. § 2-10-212(i), which requires the Registry to audit any candidate that files a disclosure statement with more than 30% of the candidate’s contributions reported as un-itemized contributions and the un-itemized contributions were greater than \$5,000.

### **AUDIT PURPOSE**

The Registry’s contribution audits were developed to assist and encourage candidate compliance with campaign disclosure laws. The audit process assists the Registry in providing timely and accurate campaign information to government officials and the general public. The Registry’s audits provide a tool to the Registry to evaluate the effectiveness of the campaign financial disclosure process. In addition, the audits assist the Registry in the enforcement of campaign finance limit laws and campaign finance disclosure laws. Finally, the audit reports are intended to assist the candidate and the State of Tennessee in promoting governmental accountability and integrity.

### **AUDIT SCOPE**

Tennessee’s campaign financial disclosure law requires candidates to make biannual financial disclosures as of the date of the first contribution or first expenditure, whichever occurs earlier. The biannual report periods are from January 16 to June 30 and July 1 to January 15 of each year. During an election year, the disclosures expand to quarterly reports, pre-primary reports, and pre-general reports. This audit relates to disclosures made subsequent to the passage and approval of the Comprehensive Governmental Ethics Reform Act of 2006. The act was approved on February 15, 2006. In addition, the audit relates to only disclosure reports that meet the requirements listed in T.C.A. § 2-10-212(i). Therefore, the audit reviewed only Representative Dale Ford’s disclosure on his 2006 second quarter report.

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## CAMPAIGN OVERVIEW

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### CAMPAIGN ORGANIZATION

Representative Dale Ford was a candidate in the November 7, 2006 general election for the House of Representatives for district 6. Rep. Ford filed an Appointment of Political Treasurer Statement with the Registry on April 27, 2006 appointing Joyce Ford as political treasurer.

The candidate's first financial disclosure for the 2006 campaign was the 2006 second quarter report filed on July 4, 2006. As of July 13, 2007, the candidate's current financial disclosure report was the 2006 fourth quarter report, which he originally filed on January 24, 2007 and he amended on July 13, 2007. The 2006 fourth quarter amended report indicated \$0.00 in cash on hand, \$0.00 in outstanding obligations, and \$7,453.72 in outstanding loans. The candidate has not completed his 2006 election campaign reporting requirements. The candidate's next report will be due July 16, 2007 and will cover the period of January 16, 2007 to June 30, 2007.

### OVERVIEW OF FINANCIAL ACTIVITIES

The following financial amounts are a summary of the financial disclosures made by the candidate. The summarized amounts are from the following disclosure reports: 2006 second quarter, 2006 pre-primary, 2006 third quarter, 2006 pre-general, and 2006 fourth quarter reports after amendments. As noted in the audit scope, we only audited the un-itemized contributions from disclosures for the 2006 second quarter. The amounts displayed are for informational purposes only.

#### Summary of Financial Activity (Un-audited Amounts)

Cash on hand at April 1, 2006		\$0.00
Receipts		
Itemized	9,805.10	
Un-itemized	5,750.00	
Interest	0.00	
Loans receipted	7,453.72	
Total receipts		<u>\$23,008.82</u>
Disbursements		
Itemized	16,508.82	
Un-itemized	6,500.00	
Loans principal payments	0.00	
Total disbursements		<u>\$23,008.82</u>
Cash on hand at January 15, 2007		<u><u>\$0.00</u></u>
Loans outstanding at January 15, 2007		\$7,453.72
Obligations at January 15, 2007		\$0.00
Total in-kind contributions received		\$0.00

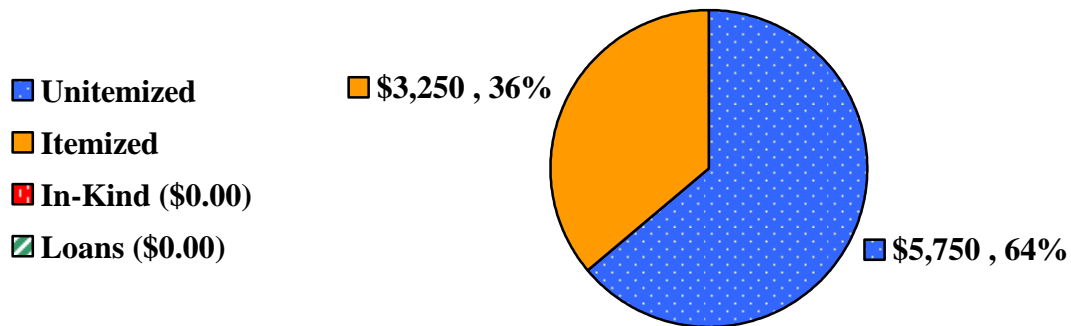
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## CHARTS

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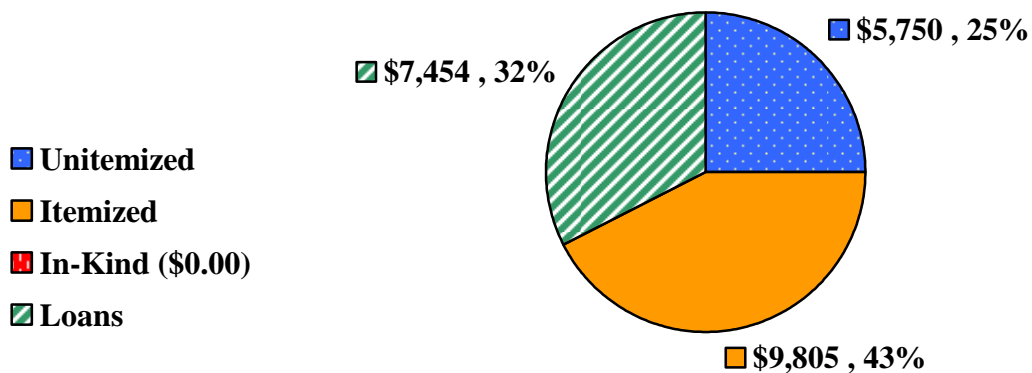
### 2006 SECOND QUARTER CONTRIBUTIONS

The following chart shows the contributions reported by the candidate in the 2006 second quarter report.



### 2006 ELECTION CAMPAIGN CONTRIBUTIONS

The following chart shows the contributions reported by the candidate for the 2006 election campaign.



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## OBJECTIVES, METHODOLOGIES, CONCLUSIONS

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### **UN-ITEMIZED CONTRIBUTIONS AND RECEIPTS**

#### ***Audit Objectives:***

The objectives of our audit of un-itemized contributions were to determine whether:

- campaign contributions from individuals and Political Action Committees (PAC) were within limits;
- all contributions were from non-prohibited sources;
- all contributions received were reported, reported in the proper period, reported in compliance with T.C.A. §§ 2-10-105 and 2-10-107, and reported in compliance with the Registry's rules; and
- all contributions were supported by bank statements and deposit slips.

#### ***Audit Methodology:***

The Registry obtained Rep. Ford's 2006 Second Quarter Campaign Financial Disclosure Statement Amended on August 7, 2006 to verify that the un-itemized contributions were greater than \$5,000 and 30% of the total contributions reported. We requested Rep. Ford to provide supporting documentation for the un-itemized contributions of \$5,750.00 that he reported on his second quarter report. Rep. Ford provided auditors with campaign records for the second quarter, which included his check book register, validated deposit receipts, photocopies of deposit slips (front side only), and campaign budget documents. The following steps were performed on Rep. Ford's campaign documentation:

- The documentation was reviewed to determine if the candidate's un-itemized contributions received from April 1, 2006 thru June 30, 2006 totaled \$5,750.00.
- A list of un-itemized contributions was prepared and compared to the candidate's bank statements to determine if the candidate deposited all funds into a campaign bank account and properly recorded the funds.
- A list of un-itemized contributions by contributor was prepared and compared to the candidate's itemized contributions reported during the election to determine if campaign contributions from individuals and PACs complied with campaign contribution limits, T.C.A. § 2-10-301, et seq.



- An un-itemized contributions list was reviewed to determine if all contributions were reported, all receipts received were reported, all contributions were reported in the proper period, and all contributions were in compliance with T.C.A. §§ 2-10-105 and 2-10-107 and the Registry's rules.

***Audit Conclusion:***

Rep. Ford's 2006 Second Quarter Campaign Financial Disclosure Statement Amended on August 7, 2006 reported un-itemized contributions greater than \$5,000 and 30% of the total contributions and thus subject to audit. The campaign records indicated that Rep. Ford overstated his un-itemized contributions on the second quarter report (Finding 1). In addition, Rep. Ford did not maintain sufficient campaign records to document compliance with campaign finance statutes (Finding 2). Finally, Rep. Ford did not follow the Registry rules for bookkeeping, which could have mitigated or averted the other findings reported. (Finding 3)

**FINDINGS**

**1. Representative Ford's campaign records indicated that he overstated his campaign contributions by \$275.**

Rep. Dale Ford did not maintain campaign records to support the contributions disclosed on his 2006 Second Quarter Campaign Financial Disclosure Statement. He reported \$9,000 in total contributions, which included \$5,750 in un-itemized contributions and \$3,250 in itemized contributions, on his 2006 second quarter report. Rep. Ford's campaign bank account records indicated deposits of \$8,725 for the 2006 second quarter reporting period. The \$275 difference between deposits of \$8,725 and reported contributions of \$9,000 violated T.C.A. § 2-10-107(a)(2)(A)(i), which requires accurate reporting of contributions on each campaign financial disclosure statement.

**2. Representative Ford did not properly maintain his campaign records to verify his compliance with campaign finance statutes.**

Rep. Ford did not maintain sufficient un-itemized contribution campaign records to verify compliance with all campaign finance statutes. Rep. Ford's contribution records only indicated deposits in total by cash and check without specifying the contributors' names or contribution amounts. Therefore, we could not determine Rep. Ford's compliance with the following campaign finance statutes on all un-itemized contributions of \$5,750 that he reported:

- T.C.A. § 2-10-107(a)(2)(A)(i) requires contributions of more than \$100 from one source received during a reporting period to be itemized. The itemized information for each contributor must include name, address, occupation, employer, date of receipt, and amount of contribution.

- T.C.A. § 2-10-302 establishes limits on contributions to candidates from a person or multicandidate committee (PAC).
- T.C.A. § 2-10-311(a) limits cash contributions to \$50 per election for each contributor.

### **3. Representative Ford did not follow the Registry rules for bookkeeping.**

Rep. Ford did not follow the Registry rules for bookkeeping procedures. Although not required by statute, the Registry has developed guidance for candidates for maintaining the records of campaign activities. This guidance is not the sole method for maintaining records and does not include all variations of campaign activities; however, if Rep. Ford had followed the guidance, he may have averted findings 1 and 2 noted above. Rep. Ford did not implement the following Registry rules, which resulted in inadequate campaign records:

- Registry Rule 0530-1-1-.02(1)&(2) states that a candidate should maintain a separate bank account for deposits of campaign contributions and disbursements for campaign activities. In addition, a candidate should not commingle campaign funds with personal funds.
- Registry Rule 0530-1-3-.05 and 0530-1-1-.02(6) states that a candidate through his/her record-keeping system must be able to determine the aggregate amount of contributions received per election from each contributor. The Registry recommends that candidates and their committees maintain photocopies of all contribution checks received or in the alternative, a journal or listing of contributions.
- Registry Rule 0530-1-1-.02(8) states that a candidate should perform bank reconciliations that reconcile the bank account and the campaign records to the financial disclosure statements.

### **RECOMMENDATION TO CANDIDATE**

Rep. Ford should ensure the campaign adopts and maintains a record-keeping system to distinguish between contributions made for a primary election and those made for a general election. In addition, this record-keeping system should indicate the amount of contributions received per election from each contributor per reporting period and in the aggregate for the campaign. Rep. Ford should consider the Registry's recommendation that candidates and their committees maintain copies of all contributions received (copies of campaign contribution checks) or in the alternative, a journal or listing of contributions. Rep. Ford should ensure all contributions are deposited in the campaign account within 10 days of receipt. To verify that all campaign finance activities are properly recorded and reported, Rep. Ford should ensure the campaign bank account reconciles to the campaign disclosure reports.

## **RECOMMENDATION TO REGISTRY**

We recommend the Members of the Registry consider the findings for possible further action. We recommend the Registry approve the audit performed as being sufficient and complete. Finally, we recommend the Registry post the audit report to the Registry's web site notwithstanding whether a significant penalty is assessed, as outline in T.C.A. § 2-10-212(f). The report and related findings will assist current and future candidates in understanding the audit process, the purposes of Registry rules, and types of procedures needed to comply with campaign finance laws.

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## **RESOLUTIONS**

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### **REGISTRY OF ELECTION FINANCE ACTIONS**

The Members of the Registry of Election Finance reviewed the 2006 contribution audit of Representative Dale Ford during the August 8, 2007 regular monthly meeting. The report contained three findings with recommendations for corrective actions. The Registry voted to approve the audit report and to issue a show cause notice for overstating campaign contributions for the reporting period. Subsequent actions by the Registry related to the show cause notice will appear in the subsequent board minutes.